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Argentina

Fresh Deciduous Fruit

Semi-Annual

2006

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Report Highlights:

The Argentine fresh deciduous fruit crop for Calendar Year (CY) 2006 is estimated to have decreased to 1.75 million metric tons (MT). Total exports are forecast to decline to 600,000 MT as exporters have been cautious sending only their best produce to the safest markets. Domestic consumption is expected to fall to 270,000 MT, as a result of decreased supply due to a poor harvest and large quantities destined to the processing sector.

Includes PSD Changes: Yes
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Section I. Situation and Outlook

Production

Fresh deciduous fruit production for calendar year (CY) 2006 is estimated at 1.75 million metric tons (MT), a five-percent decrease compared with the CY 2005 harvest.

Table 1. Fresh Deciduous Fruits Total Production				
	CY 2005		CY 2006	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	8,200	190,000	9,100	220,000
Southern Valleys	59,500	1,650,000	51,000	1,530,000
Total	67,700	1,840,000	60,100	1,750,000

The CY 2006 apple crop is estimated down 15 percent from CY 2005, as a result of losses from hail damage in February 2006 and the failure of the Gala and Granny varieties in some areas of the Rio Negro and Neuquen Valley.

Table 2. Apple Production				
	CY 2005		CY 2006	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	4,600	100,000	4,500	110,000
Southern Valleys	46,000	1,100,000	30,000	930,000
Total	50,600	1,200,000	34,500	1,040,000

A ten percent increase is expected in the CY 2006 pear harvest but small size is blamed for a reduction in export quality.

Table 3. Pear Production				
	CY 2005		CY 2006	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	3,600	90,000	4,600	110,000
Southern Valleys	13,500	550,000	21,000	600,000
Total	17,100	640,000	25,600	710,000

Due to more pressure on fruit selection and hail damage in some production areas, it is estimated that packinghouses packed 20 percent less than in CY 2005. During the high season it was reported by contacts in the industry, that a great deal of apples were discarded due to the lack of installed processing and storage (cold) capacity. The same source informed that currently there is a lack of fruit for the juice industry.

Despite the reduced apple production and because packers sent more fruit to the processing sector, concentrated apple juice (CAJ) production is estimated to have increased slightly in CY 2006 to 66,000 MT. CY 2005 production of CAJ was 65,000 MT.

Domestic Consumption

Domestic consumption of apples in CY 2006 is expected to fall to 170,000 MT as a result of a poor CY 2006 harvest combined with increased demand from the processing sector. Pear

domestic consumption is estimated to reach 100,000 MT in CY 2006 due to increased production.

Trade

Eighty percent of Argentine fresh pears and apples are exported from the San Antonio Port in the province of Rio Negro. Here only five exporters handle 67 percent of the total fresh pear and apple exports of Argentina.

CY 2006 fresh deciduous fruit exports are expected to fall to 600,000 MT due to a more selective attitude in choosing foreign buyers and exports of higher quality fruit this season. After reaching a record high of 714,000 MT (US\$334 million) in CY 2005, total fresh deciduous fruit exports are expected to decline in CY 2006. Argentine exporters and packers learned an important lesson in CY2005 when oversupply of the European and Russian markets led to financial problems. Exports of fresh apples, pears, and CAJ to the United States accounted for US\$72 million in CY 2005.

Post forecasts a fall in apple exports by 30 percent for CY 2006 at 170,000 MT. According to sources in the industry, apple exports to the Russian Federation and the European Union (EU) will drop in CY 2006 by at least 50,000 MT. The popularity of other markets like Asia, the United States, Brazil, and Canada is expected to increase.

In CY 2005, apple exports, valued at US\$125 million, reached 274,000 MT. Post estimates that total exports for CY 2005 were 274,000 MT. In CY 2004 total apple exports reached 206,000 MT valued at US\$91 million.

The main market for Argentine apples continues to be the EU, accounting for over 48 percent of the total volume exported in CY 2005 (125,000 MT). The Russian Federation and Brazil follow with 26 percent (68,000 MT) and 19 percent (53,000 MT), respectively. The three aforementioned markets receive more than 90 percent of Argentine exports. Apple exports to the United States during CY 2005 reached 1,300 MT valued at US\$700,000. In CY 2006 apple exports to the United States accounted for 1,600 MT valued at US\$867,000. This includes 126 MT (US\$83,000) sent to Puerto Rico for the first time.

In CY 2006 pear exports are expected to fall ten percent to 400,000 MT as a result of lower quality fruit available for export. This decrease would have been greater if not for the better than expected harvest.

In CY 2005 pear exports reached a total volume of 441,000 MT valued at US\$209 million. This increase is due to more shipments to the EU, mainly to Italy, and Brazil and the Russian Federation, which grew 20 percent each in CY 2005. In CY 2004, pear exports reached 320,000 MT, three percent lower than in the same period in CY 2003. Exports valued at US\$154 million in 2004 were two percent above exports in the same period in CY 2003.

Ninety-six percent of the pear shipments are shipped to the EU, the Russian Federation, Brazil and, the United States. The United States imported 45,000 MT of Argentine pears valued at US\$25 million in CY 2006. Exports in CY2005 year reached a slightly higher volume and value at 48,000 MT and US\$26 million, respectively. Shipments to the U.S. declined from 50,000 MT in CY 2003 to 36,000 MT in CY 2004, due to quality problems. Meanwhile, the Russian market continued to grow at a rate of 30 percent between CY2004 and CY 2005, (92,000 MT). After a drop in exports to Brazil to 50,000 MT in CY 2003 and CY 2004, due to phytosanitary problems, CY 2005 exports to Brazil reached 85,000 MT surpassing the record high of 80,000 MT shipped in CY 2002.

Factors Affecting Industry Structure

After seven years of work and a cost of US\$15 million,, the southern valley of Rio Negro and Neuquen was declared fruit-fly free (*Ceratitis capitata*) by the United States and with that, during the CY 2006 export season and for the first time in history, Argentine apples and pears shipments to the United States did not require the cold treatment that previously was made aboard during shipping. This allowed for Argentine packers to ship to some destinations where the fruit needs to change vessels such as Puerto Rico. This was not possible before since the cold treatment would have been interrupted and the fruit would have spoiled.

Another result of the measure above mentioned is that third countries are also recognizing the region's new status. India, for instance, has taken the U.S. declaration of the Argentine Southern Valley as free of med fly and started to work in a phytosanitary protocol with the Argentine Government. According to sources in the industry, in CY 2007, Argentina will ship apples and pears to India for the first time. They expect this market to be good, with prices around US\$0.5 and US\$0.6 per kilo.

According to sources in the industry, Brazil's agreement with Argentina on the continuation of the pre-clearance program for codling moth (*Cydia pomonella*) detection in the production area will soon be negotiated. This program is running smoothly, according to one member of the Fruit Chamber of Neuquen and needs no adjustment. Changing the inspection point to the Brazilian border, 2000 miles away from the production region, would negatively affect exports, since exporters would still pay transportation to the border, even on shipments that are later rejected due to phytosanitary reasons. And, since these fruit cannot re-enter the region (there is a phytosanitary barrier that does not allowed for fruit to enter the region) these fruit would end up being sold in the domestic market at very low price.

Fruit producers and packers are desperate for the abolishment of the 10 percent export tax the Argentine Government imposed on pears and apples in February 2002. Sources in the industry assert that the 10 percent paid on the FOB price translates to a 26 percent tax on unprocessed fruit. If this calculation is correct, pears and apples would be the Argentine agriculture product that pays the highest export tax rate. There is no forecast that indicates that this 10 percent will be removed in the near future.

Exporters argue that they also have a four percent on the CIF price import duty for pears and apples in Europe, their main market, while Chile, one of their competitors, pays nothing. They estimate that the European four percent import duty, plus the Argentine ten percent export tax, represents an extra cost for the Argentine industry of US\$0.07 per kilo that the Chilean industry does not pay. Exporters think that the Argentine government should either negotiate with the European Union the import duty charged to pears and apples to zero or drop the export tax.

According to sources in the industry the cost of production of one kilo of apples is US\$0.15 while the cost of production of one kilogram of pears is around US\$0.12, depending on different farming system and yields. With packing costs of US\$0.25 per kilo, and US\$0.03 terrestrial freight to the San Antonio port plus US\$0.033 ports expenses, the total production cost of one kilo of Argentine packed fresh apples is US\$0.463.

Due to better prices in CY 2006, exporters are happier than in the previous season. According to sources in the industry, in CY 2006, more coordinated shipments resulted in better prices for all. Average export pears price increased 10 percent compared with CY 2005 while apple prices increased 5 percent in the same period. Packers said that the average overall price was between one and two dollars above the historic average.

Prices paid to the farmers are low and always dependent on the quality of the fruit. Packers have offered a fixed minimum price for apples of US\$0.12 per kilo and US\$0.14 per kilo of pear. CY 2006 processing sector paid US\$0.05 per kilo of apples and US\$0.03 per kilo of pears in the high season. According to sources in the industry, prices are now a little higher, reaching US\$0.06 per kilo of apples because insufficient fruit at this time of the year. However, due to the fact that packers bought less fruit than in previous years and also packed less fruit, many farmers had to sell their produce directly to the processing plant significantly reducing revenue to cover the production cost. Current media reports discuss the difficult situations that between 600-and 800 small farmers are going through because of the poor quality of their fruit and the low prices paid by the processing sector.

Organic pears and apples were stars in CY 2006. According to organic producers, in a normal year, certified organic pears and apples get a 20 percent premium price but, in CY 2006, due to lack of supply of this produce at international level, their prices went up to double that of previous seasons. They are hopeful that this trend to continue. The main market for organic pears and apples is Europe, although the United States has started to show interest in this high value product.

Apples and Pears, Fresh Domestic Wholesale Prices for all Varieties (US\$/kg.)								
	2003		2004		2005		2006	
	Pear	Apple	Pear	Apple	Pear	Apple	Pear	Apple
January	0.29	0.48	0.40	0.48	0.39	0.46	0.43	0.57
February	0.25	0.43	0.31	0.41	0.57	0.69	0.32	0.50
March	0.24	0.31	0.32	0.37	0.30	0.36	0.29	0.34
April	0.27	0.30	0.39	0.36	0.32	0.33	0.28	0.33
May	0.26	0.29	0.37	0.33	0.35	0.36	0.30	0.41
June	0.25	0.31	0.33	0.33	0.42	0.41	0.37	0.44
July	0.27	0.30	0.32	0.38	0.46	0.42	0.41	0.50
August	0.29	0.30	0.37	0.40	0.49	0.41	0.49	0.49
September	0.36	0.32	0.39	0.43	0.50	0.44		
October	0.41	0.48	0.41	0.45	0.53	0.41		
November	0.43	0.43	0.47	0.50	0.47	0.50		
December	0.68	0.49	0.52	0.50	0.58	0.48		
Annual average	0.33	0.37	0.38	0.41	0.45	0.44		

Source: Buenos Aires Central Market (www.mercadocentral.com.ar)

Apples, Fresh, Red Delicious Variety Domestic Retail Prices (US\$/Kg.)				
	2003	2004	2005	2006
January	0.78	0.85	0.84	1.12
February	0.68	0.82	0.77	0.88
March	0.59	0.69	0.68	0.74
April	0.60	0.67	0.64	0.71
May	0.57	0.65	0.65	0.70
June	0.58	0.66	0.66	0.73
July	0.57	0.66	0.68	0.75
August	0.57	0.67	0.68	0.79
September	0.62	0.70	0.71	0
October	0.70	0.76	0.70	0
November	0.73	0.77	0.78	0
December	0.77	0.80	0.82	0
Annual Average	0.65	0.72	0.72	

Source: The National Institute for Statistics (INDEC – www.indec.gov.ar)

Section II. Statistical Tables

PSD Table										
Country	Argentina									
Commodity	Apples, Fresh					(HA)(1000 TREES)(MT)				
	2003	Revised	New	2004	Estimate	New	2005	Forecast	New	UOM
	USDA Official [Old]	Post Estimate [New]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	Post Estimate [New]	
Market Year Begin		01/2004	01/2004		01/2005	01/2005		01/2006	01/2006	MM/YYYY
Area Planted	51	51	51	51	51	51	35	0	35	(HA)
Area Harvested	50	50	50	50	50	50	30	0	30	(HA)
Bearing Trees	21000	21000	21000	21000	21000	21000	21000	0	21000	(1000 TREES)
Non-Bearing Trees	4000	4000	4000	4000	4000	4000	3000	0	3000	(1000 TREES)
Total Trees	25000	25000	25000	25000	25000	25000	24000	0	24000	(1000 TREES)
Commercial Production	900000	900000	900000	1200000	1300000	1200000	1210000	0	1040000	(MT)
Non-Comm. Production	0	0	0	0	0	0	0	0	0	(MT)
Production	900000	900000	900000	1200000	1300000	1200000	1210000	0	1040000	(MT)
Imports	300	7	300	50	20	50	100	0	100	(MT)
Total Supply	900300	900007	900300	1200050	1300020	1200050	1210100	0	1040100	(MT)
Fresh Dom. Consumption	244300	244007	244300	250050	350020	250050	260100	0	170100	(MT)
Exports, Fresh	206000	206000	206000	270000	250000	270000	230000	0	170000	(MT)
For Processing	450000	450000	450000	680000	700000	680000	720000	0	700000	(MT)
Withdrawal From Market	0	0	0	0	0	0	0	0	0	(MT)
Total Distribution	900300	900007	900300	1200050	1300020	1200050	1210100	0	1040100	(MT)

Prices Table			
Country	Argentina		
Commodity	Apples, Fresh		
Prices in	US\$ FOB	per uom	MT
Year	2005	2006	% Change
Jan	490	560	14%
Feb	510	520	2%
Mar	460	460	0%
Apr	450	480	7%
May	440	500	14%
Jun	430	490	14%
Jul	390	450	15%
Aug	380		-100%
Sep	400		-100%
Oct	430		-100%
Nov	460		-100%
Dec	490		-100%
Exchange Rate	3.07	Local Currency/US \$	
Date of Quote	8/12/2006	MM/DD/YYYY	

PSD Table										
Country	Argentina									
Commodity	Apple Juice, Concentrated						(MT)			
	2003	Revised	New	2004	Estimate	New	2005	Forecast	New	UOM
	USDA Official [Old]	Post Estimate[New]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	Post Estimate[New]	
Market Year Begin		01/2004	01/2004		01/2005	01/2005		01/2006	01/2006	MM/YY YY
Deliv. To Processors	450000	450000	450000	680000	700000	680000	720000	0	700000	(MT)
Beginning Stocks	10233	10233	13833	13833	13833	17433	15333	13433	13933	(MT)
Production	50000	50000	50000	65000	69000	65000	66000	0	66000	(MT)
Imports	600	600	600	500	600	500	500	0	500	(MT)
Total Supply	60833	60833	64433	79333	83433	82933	81833	13433	80433	(MT)
Exports	45000	45000	45000	60000	67000	65000	65000	0	66000	(MT)
Domestic Consumption	2000	2000	2000	4000	3000	4000	3000	0	3000	(MT)
Ending Stocks	13833	13833	17433	15333	13433	13933	13833	0	11433	(MT)
Total Distribution	60833	60833	64433	79333	83433	82933	81833	0	80433	(MT)

Prices Table			
Country	Argentina		
Commodity	Apple Juice, Concentrated		
Prices in	US\$ FOB	per uom	MT
Year	2005	2006	% Change
Jan	1010	710	-30%
Feb	830	740	-11%
Mar	950	790	-17%
Apr	430	860	100%
May	720	860	19%
Jun	700	920	31%
Jul	740	900	22%
Aug	700		-100%
Sep	680		-100%
Oct	690		-100%
Nov	710		-100%
Dec	730		-100%
Exchange Rate	3.07 Local Currency/US \$		
Date of Quote	8/12/2006 MM/DD/YYYY		

PSD Table										
Country	Argentina									
Commodity	Pears, Fresh						(HA) (1000 TREES) (MT)			
	2003	Revised	New	2004	Estimate	New	2005	Forecast	New	UOM
	USDA Official [Old]	Post Estimate[New]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	Post Estimate [New]	
Market Year Begin		01/2004	01/2004		01/2005	01/2005		01/2006	01/2006	MM/YY YY
Area Planted	17	17	17	17	17	17	26	0	26	(HA)
Area Harvested	17	17	17	17	17	17	22	0	22	(HA)
Bearing Trees	9100	9100	9100	9100	9100	9100	22000	0	22000	(1000 TREES)
Non-Bearing Trees	1000	1000	1000	1000	1000	1000	4000	0	4000	(1000 TREES)
Total Trees	10100	10100	10100	10100	10100	10100	26000	0	26000	(1000 TREES)
Commercial Production	525000	525000	525000	640000	640000	640000	710000	0	710000	(MT)
Non-Comm. Production	0	0	0	0	0	0	0	0	0	(MT)
Production	525000	525000	525000	640000	640000	640000	710000	0	710000	(MT)
Imports	0	0	0	0	0	0	0	0	70	(MT)
Total Supply	525000	525000	525000	640000	640000	640000	710000	0	710070	(MT)
Fresh Dom. Consumption	84000	84000	84000	80000	90000	90000	100000	0	100070	(MT)
Exports, Fresh	321000	321000	321000	440000	430000	430000	430000	0	430000	(MT)
For Processing	120000	120000	120000	120000	120000	120000	180000	0	180000	(MT)
Withdrawal From Market	0	0	0	0	0	0	0	0	0	(MT)
Total Distribution	525000	525000	525000	640000	640000	640000	710000	0	710070	(MT)

Prices Table			
Country	Argentina		
Commodity	Pears, Fresh		
Prices in	US\$ FOB	per uom	MT
Year	2005	2006	% Change
Jan	490	500	2%
Feb	500	500	0%
Mar	400	500	25%
Apr	480	520	8%
May	480	540	13%
Jun	490	570	16%
Jul	560	620	11%
Aug	520		-100%
Sep	530		-100%
Oct	590		-100%
Nov	590		-100%
Dec	620		-100%
Exchange Rate	3.07	Local Currency/US \$	
Date of Quote	8/12/2006	MM/DD/YYYY	